

EX PARTE OR LATE FILED

DOCKET FILE COPY ORIGINAL

RECEIVED

APR 18 1997

Federal Communications Commission  
Office of Secretary

April 9, 1997.

Mr Read Hundt  
Chairman  
FEDERAL COMMUNICATION COMMISSION  
1919, M Street NW  
Washington DC - 20554 USA  
+1(202) 418-0200;

FAX: (202) 653-5402 e-mail: fccinfo@fcc.gov

Dear Mr Read Hundt/Ms. Kathryn O'brien,

**Sub:** Accounting and Settlement Rates - the Case of India

**Ref:** **Notice of Proposed rule making in the matter of**  
**TAR and international settlement rates: I B Docket No: 96-261 and**  
**Docket no: 90-337.**

I was formerly the founder Chairman & Managing Director of VSNL, India's state owned monopoly international carrier. Prior to that, I was the Deputy Director General in the Department of Telecommunications (DOT). For over thirty years even as a civil servant, I had been campaigning for restructuring Indian Telecommunications, the goals being -

Corporatisation and eventual privatisation of the telecom operations of DOT

Liberalisation, demonopolisation and competition

Regulation to promote consumer welfare, customer choice, and fair competition

No. of Copies rec'd  
List ABCDE

0

2

**The National Telecom Policy and its Distorted Implementation:** With

encouragement from a number of liberalisers and suffering victims of monopoly, I founded the *not-for-profit-society*, the Center for Telecommunications Management and Studies (CTMS), in 1989 and since then I have aroused and mobilised sufficient public interest, leading to the process of liberalising the Indian Telecoms, although there is lot of distortion primarily because the deprived DOT, which is an operator, is itself entrusted with implementing the National Telecom Policy (NTP) of 1994, which envisages, competition to DOT, from one private company in every state, i.e., duopoly and confining the DOT to its current lines of business and not allowing it provide mobile telephones, radio paging and value added services. The DOT distorted the implementation of the NTP, by keeping for itself and the VSNL owned by it, monopoly in the most lucrative interstate and international Telecoms. While this hurts the private telephone companies, the DOT in its continuing anti-customer stance, ***prescribed the maximum licence fee that a P-Telco would bid as a prime criterion for award*** of operating licence thus burdening the customers with 20% - 30% more price for telephone service compared to what it could be if the Least Price indexed to Retail Price indexed (RPI) for a basket of services was the prime criterion. The result is, while the cellular mobile radio telephone and paging services are some-how launched, ***there is only a little progress despite three rounds of bidding for the emergence of competition in the basic telephone service.*** This background would enable you to have a good picture, of the Indian Telecommunications

3

**TAR and Settlement Rates:** The purpose of writing this letter is to put you wise on the Indian situation regarding TAR and settlement rates. Long ago, in 1987 itself, when I took over as the Chairman and Managing Director, of VSNL, I realised the inequity of high-TAR and higher collection charges. My efforts to reduce the collection charges failed with the money-making DOT. In negotiations with the AT & T, I was able to reduce the TAR from \$ 2.5 per minute to \$ 2.0 for volumes higher than what then obtained - a compromise I had to make not to be vetoed by my government. ***Since then, I had been***

***campaigning against the high collection rates, the TAR and the settlement rates.*** A number of articles had been written by me which were published in national dailies from 1990 onwards. I had been pleading for end to monopoly of VSNL and its privatisation and for it to be subjected to competition. In order to make the VSNL's bid to raise Euro and Dollar money by way of GDRs, attractive the Government of India held out the prospect of monopoly for VSNL till the year 2004. ***But I am fairly confident that my efforts to put an end to that monopoly sooner than 2004 would succeed.*** While the discussions were going on under the auspices of the WTO and its NGBT, I had written extensively in Indian Newspapers about India's unreasonable position. ***The VSNL issued a public statement, chastising the FCC and US Government for their insistence on transparency in the determination of TAR and demands for reduction of TAR and settlements.*** My paper, "FCC IS RIGHT AND VSNL IS NOT\* " has been carried by national dailies. A copy is enclosed.

4 ***The FCC Docket:*** Now, a friend of mine in the Economic Research Unit (ERU), (which is usually ignored and kept out of picture by the technician bureaucrats in the DOT) has given me your Docket No.: I ***B Docket No: 96-261 and Docket no: 90-337.*** I have gone through them completely and critically. I entirely agree with the position of FCC. Two articles\* that were recently published by me in Indian newspapers on this subject are also enclosed.

consultations that the head of the Economic Research Unit of the DOT had with me on 9th and 10th April, 1997, I had convinced him about the unjustness and unreasonableness of the DOT/VSNL's stand. I am aware that the Chairman of the Telecom Commission, Mr A V Gokak and Member (Finance), Mr G C Iyer, visited you recently. They issued a statement to which I had issued a rejoinder, critical of their stand and their gloating over their achievements in the NGBT/WTO. It is likely that there would be a one day work-shop on TAR and settlement organised in Delhi by the ERU of the DOT, in the context of the notice that you had issued. While the Head of the ERU of the DOT is intending to invite me as a specialist to drive sense into those in the DOT, who do not understand anything and those from the VSNL, who want to mislead them, I doubt whether the two-some would want me as their invitee. I would be able to subject

them to such questioning which would bring out the truth and the absolute lack of data in the DOT /VSNL on the true costs of rural, intrastate, interstate and international telecoms. For the last ten years I have been challenging the DOT to construct these figures and discuss them for their veracity. In the absence of these true figures, their assertion that above-cost long distance prices are used to subsidise rural services is largely baseless. They go to cover overstaffing, bonus to civil servants and inefficiency. The DOT/VSNL got Rs.15 billion (US\$ 430 million), double the VSNL's revenue, by way of out payments from countries like the USA (\$ 220 m app.) because of the excess of their outbound traffic to India over that in the reverse. The DOT/VSNL are, by amending the Rules under the Indian Telegraph Act, 1885, waging a war on "Call-Back" which did an estimated Rs.3.5 billion (US\$ 100 m) business in 1996.

4 I will be out of India in Hungary and Israel more or less till the end of this month. It is my intention to give you a detailed reply to the questions that you have raised in your notice. I understand that a team from the FCC is going to visit India to hold discussions with the DOT/VSNL. If you really want to find out the true position as regards their statistics and cost figures, at the risk of being considered immodest, I suggest that your team should have a meeting with me or better still, include me in your team, as your consultant for India in regard to the TAR/Settlement discussions, with DOT/VSNL. You may have me called and have a long enough discussion on telephone, preferably in the last week of this month (April, 1997). A few issues of my monthly journal are being posted.

With regards,

Yours sincerely

**T H Chowdary**

**Encl: Three Articles published in newspapers**

NO NET FLEET COPY GROWTH

□□)(ྐ)(■ཏྭ    )(◆འ    ྐཅ●●◆

RECEIVED

APR 18 1997

Federal Communications Commission  
Office of Secretary

**\* Director : Center for Telecom Management & Studies**

**Chairman : Pragna Bharati, Andhra Pradesh**

**Plot No. 8, P&T Colony, Karkhana (Secunderabad), Hyderabad - 500 009.**

**Former: Chairman & Managing Director, Videsh Sanchar Nigam**

**Phone : +91 (40) 84-9966 (Off) & 84-3121 (Res)**

**Fax: +91 (40) 81-4520 & 86-6172 (Off)**

**E-Mail: [thc@ctms.globemail.com](mailto:thc@ctms.globemail.com)**

**thc@satyam.com**

monopoly countries reduce prices to their customers or reduce the TAR or both. The first act will tend to balance the traffic ; the second may not balance the traffic but the US will not have to pay out large amounts to countries like India, (which earned Rs.1500 crores in 1996 because of unequal collection rates) and the third act will hasten the balancing of the traffic. The USA is fully justified in all its demands namely, that customers are entitled to falling prices occasioned by technological advances and that if any country does not want to pass the benefit to customers, it cannot penalise the liberal countries by high TAR.

it wants time to gradually bring down the collection rates as well as the TAR is not a very sincere one. It is not only now that the costs for international telecoms have come down. They have been coming down continuously from the mid 1980s, as communication satellites and fiber optic under sea cables, as well as digital systems, have been becoming cheaper. The USA, Australia and UK, which have introduced competition, have been pressing the monopoly countries like India to bring down the TAR and/or the collection rates. Addicted to milking developed countries, the monopoly developing countries are giving unsustainable and false reasons like subsidising local and rural services and extension of the services to rural areas. This game has been going on for the last thirteen years, with no sincere effort on the part of many developing countries including India, whose technocracies and socialist planning are interested in preserving monopolies, inefficient monopolies and want to make, not earn money. While the developed countries are demonopolising and the consequent competition is bringing the benefits of technology, by way of lower prices to customers, the difference between increasing lower costs and simultaneously rising prices in the monopoly countries are being appropriated for benefitting the privileged class of workers and for over-strafting, for job creation and larger bonuses. The contribution from staff for higher productivity is little and the entire increase in productivity is due to technology, more capital and automation.

of international and business callers and subsidies to rural customers could be a mitigating reason if the DOT and its monopoly companies have got true accounts of what are the investments, costs and expenses in the rural sector, in the local services, in cities and in the domestic long distance and

international segments of telephony. As the DOT has no professional economists and only clerical accounts writers, the DOT has never been able to present cost accounts nor could it make sensible allocations of expenses to and income from different segments. If the DOT was sincere and serious, could it not have done this exercise in the last ten years? Even now, they do not have professional accountants; they only have civil servants recruited as clerks for writing accounts. They do not have professional economists, financial and cost analysts. One of its companies is deliberately maneuvering to get an unqualified civil servant as its Director of Finance, even while it has qualified professionals recruited from the market in its senior managerial ranks. On several occasions restructuring of the telecom operations on corporate basis and amendments to the 112 year old Indian Telegraph Act (ITA) had been suggested. All these reports and studies have been criminally and senselessly consigned to waste paper baskets. Reports produced by enlightened and duly constituted committees from within the department even had been consigned to the dust-bin. In such circumstances, there cannot be any hope of the DOT and its monopoly companies voluntarily reforming themselves and orienting their operations with customer care and service and lower prices as their objective. That is why it is only effective external pressure from our correspondents like those from UK, US and Australia and international bodies like the WTO and the World Bank, that could force the DOT to change. Of course, the DOT and its monopoly companies will take resort to chauvinism and invoke nationalism, sovereignty, concern for the poor and rural areas, to resist the demands of external forces. But that is deception. The economic and Industrial liberalisation that was initiated in 1991 was not due to our sincere conviction in it, but because of the impossibility of continuing the permit-licence-quota and centralised planning system that brought us to the brink of financial bankruptcy. International telecommunications technology is able to undermine national monopolies, Call-back is one such service. Like a King Canute, we may issue orders that Call-back should roll back. But like the tides that went on coming despite Canute's orders, the Call-back will buffet India. It will disappear only when there is no difference between the call charges, whether made from India or from USA. Indian consumers and intelligent people should not be taken in by the insincere, false and specious reasons being advanced by the Telecom officials for more time and yet more time to carry out adjustments. The Parkinson's' law that work expands to fill all the time available applies to DOT.

It can take infinite time to make the necessary adjustments. It can also make the adjustments in a short time if compelled to do so. Now that VSNL has been able to get the much sought GDR funds, DOT should fall in line with trends in the enlightened countries and end monopoly in the domestic long distance and international telephony. Competition and the weight of the WTO would make prices come down to fall in line with costs. ( 1216 words)

**E N D**

